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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
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Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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MEXICO LOSES COMPETITIVENESS AND ATTRACTIVENESS FOR INVESTORS

According to the consulting firm AT Kearny, Mexico has lost some of its competitiveness and attractiveness for foreign investors in the past year. Increased competition for foreign direct investment (FDI) from countries like China and India, Mexico's lack of structural reforms in labor, energy, and telecommunications, as well as Mexico's lack of infrastructure, have caused Mexico to fall, in just one year, from third to twenty-second position in the FDI Confidence Index. (Source: El Financiero; 10/13/2004)

NAFTA DISPUTE SETTLEMENT PROCEDURES TO BE REVISED

Mexico, Canada and United States will revise the operation of NAFTA's mechanism to solve conflicts. The Deputy General Director of Legal Consultations of the Economy Secretariat, Ricardo Ramirez, explained that there is interest on the part of Canada and Mexico to improve the procedures of this mechanism. He noted that this did not mean a renegotiation or modification of NAFTA, but rather improvements to increase the operational efficiency of Chapter 19, which refers to NAFTA's dispute settlement procedures. (Source: El Financiero; 10/11/2004)

REMITTANCES SOAR TO ALMOST \$11 BILLION IN FIRST EIGHT MONTHS OF 2004

Remittances from Mexicans living in the United States soared to \$10.971 billion in the first eight months of 2004, 25.6 percent higher than the same period the year before. This puts remittances just behind earnings from oil and gas exports - \$11.641 billion in the same time period - in terms of hard currency earnings for Mexico. The increase in remittances is due to more efficient ways of sending funds from the United States to Mexico. Electronic transfers accounted for about 90 percent of the transfers, with money orders accounting for most of the remainder. (*El Financiero*, 8/10/04)

SEMARNAT AGREES TO PUBLISH THE CEC REPORT

The Secretary of Environment and Natural Resources (SEMARNAT) announced that, at the request of non-government organizations, it will publish the report on Maize and Biodiversity of the North American Commission for Environmental Cooperation (CEC) on November 13, 2004. Although this report includes a prohibition on the importation of genetically modified seeds into Mexico among its recommendations, SEMARNAT clarified that the implementation of this recommendation is not obligatory. (Source: La Jornada; 10/15/2004)

SAGARPA REQUESTS FLEXIBILITY IN THE 2005 BUDGET

The Secretary of Agriculture, Javier Usabiaga, asked the Mexican Congress for a more flexible 2005 budget for his ministry. Budget items that determine the use and amount of economic resources, limit SAGARPA's performance, he said. Usabiaga urged Congress to work closely with SAGARPA in order to produce a more flexible budget which would be able to strengthen productive chains. (Source: Reforma & El Financiero; 10/18/2004)

MEXICAN HASS AVOCADO EXPORTS TO THE U.S. BEGIN

On October 15, the beginning of 2004-05 export season, Michoacan producers sent to the United States the first Mexican Hass avocado shipment to be distributed in one of the 31 currently authorized states. However, Mexican producers and exporters are expecting to ship 120 thousand metric tons, three times the amount exported last year, based on the expectation that the U.S. states of California and Florida will be opened during the MY 2004-05 shipping season. According to the President of the Michoacan Avocado Producers & Packers (APEAM), Mexico exported to the U.S. more than 42 thousand metric tons during the 2003-04 season, which was valued at US\$ 93.7 million. The value of Mexico's avocado exports to the United States for 2004-05 is forecast at nearly US\$ 281 million. (Source: La Jornada; El Universal; 10/16/2004)

EIGHTY PERCENT OF FRUIT AND VEGETABLE EXPORTS GO TO THE U.S.

The Secretary of Agriculture (SAGARPA), Javier Usabiaga, was guest of honor at the 55th Fresh Summit Convention of the Produce Marketing Association (PMA) in Anaheim, California. Usabiaga stated that Mexico's agricultural exports to the world, especially to the United States reached \$7 billion dollars. The Trade Promotion Coordinator from SAGARPA, Gerardo Noriega, added that about eighty percent of Mexican exports of fruits and vegetables is directed to the United States, but that SAGARPA wants to diversify its export markets in order to decrease that percentage to about 50 or 60 percent in the next 10 years. This will mean diversification to other markets like the EU, Japan and China. Noriega stated that export market diversification is a priority for Mexico and, to that end, it is very important for producers to be organized. (Source: Reforma, Financiero, Universal, 10/18/04)

GREENPEACE RELEASES CEC GM CORN STUDY

A NAFTA trilateral environmental commission has recommended that Mexico enact stricter controls over genetically modified (GM) U.S. corn that has been winding up in the fields where the crop was first developed thousands of years ago. The environmental activist group Greenpeace made the study's findings public at an October 18th press conference in front of the Ministry of Environment (SEMARNAT). Greenpeace Mexico director Alejandro Calvillo said that the governments of Mexico, Canada and the United States had been reluctant to release the report, which could influence a global debate over the safety of GM foods. The study from the North American Commission for Environmental Cooperation (CEC) recommends Mexico enact precautionary measures to prevent the further spread of GM corn, including grinding up U.S. corn imports. The group of scientists assembled by the CEC, a watchdog group set up under NAFTA, said that if the transfer of GM genes to native corn is left unchecked, GM varieties could eventually displace native species. (Source: El Universal; 10/19/2004)

THE LOWER HOUSE SPEEDS UP SCRUTINY OF THE BIOSAFETY BILL

According to a local newspaper, the early release of the CEC report on the effects of genetically modified corn on Mexican corn has provoked legislators of the Institutional Revolutionary Party (PRI), the National Action Party (PAN) and the Environmentalist Green Party of Mexico (PVE) to accelerate the process of approving the new biosafety bill. This law will regulate the use of GMOs in Mexico. (Source: El Universal; 20/10/2004)

BANANA PRODUCERS TO EXPAND MARKET IN THE U.S.

The Quintero Group, producers and distributors of "dominico" bananas, signed an agreement with the multinational company Chiquita Banana, to expand their sales in the United States. Since 2000, this company that operates in Veracruz, has exported about 70 tons per week of this type of banana. The agreement with Chiquita Banana will allow the Quintero Group to expand exports to about 140 to 200 tons of bananas. This will be an alternative to export losses in Europe, where Ecuador increased its market share as a result of its low prices. (Source: Financiero 10/21/04)

GROWERS ORGANIZATION REQUESTS LABELING OF TRANSGENIC GRAINS

The president of the Corn Producers National Confederation, Juan Garcia-Bello, requested that imports of U.S. transgenic grains be labeled, as is recommended by the North American Commission for Environmental Cooperation (CEC) in its study on corn and biosafety. Also, he asked that the Government of Mexico maintain a system so that destination and consumption of transgenic grains could be tracked. He said that is important to know who consumes the more than 6 million tons of yellow corn, a good portion of which is transgenic, which is imported annually from the United States. (Source: La Jornada; 10/21/2004)

SEMARNAT TO HEAD RESTRUCTURING OF CIBIOGEM

According to a local newspaper, the Inter-Secretarial Commission on Biosecurity and Genetically Modified Organisms (CIBIOGEM), which was created five years ago to coordinate government policy, has failed. Currently, this Commission is being restructured, a process which is expected to finish by the end of November. The Secretariat of Environment and Natural Resources (SEMARNAT) is conducting this reorganization and proposes to appoint an academic as the CIBIOGEM Executive Secretary, rather than a government official, in order to avoid a conflict of interest, like that which happened with Victor Villalobos of SAGARPA last year. (Note: Victor Villalobos is the current CIBIOGEM Executive Secretary). Villalobos, acting as a representative of the government, signed an international agreement with the United States and Canada, without the approval of the Mexican Senate, to allow those countries to export GM products to Mexico, without labeling them, despite the fact that Mexico has an international agreement that restricts such actions. (Source: El Universal; 10/22/04)

PRD CRITICISM OF EFFORTS TO PASS MEXICO'S BIOSAFETY BILL

Deputies of the PRD expressed their interest in the Lower House approving a regulatory framework bill for biotechnology and genetically modified organisms, but under the condition that their colleagues respect the current consultation and analysis process. PRD legislators of the Lower House criticized PAN and PRI attempts to approve the biosafety bill without having first negotiated it with other parties. The Mexican Senate approved this bill in March 2003, but it is still waiting for Lower House approval and the PRD considers it unacceptable in its current state. According to the PRD, this bill proposes to be more than just a framework bill on biosafety and is a tool for the big transgenic firms as it does not

consider protection mechanisms for either the environment or consumer health. The PRD members stated that some days ago Ulises Adame, a PAN legislator, had a meeting with three members of his party who are, at the same time, members of the subcommittee that reviewed the bill. During this meeting they approved a version of the biosafety bill that was prepared by a private consultant firm (Grupo de Consultaria Estrategica). Later, they met with other members of the subcommittee (PRI legislators) and convinced also them to approve this version. PRD congressmen stated that this action was illegal and requested that the other parties respect the previous agreement of holding a forum with grower organizations and campesinos groups to discuss the bill. This forum will be held on October 27, 2004. (Source: El Financiero; 10/22/2004)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX4118	Weekly Highlights & Hot Bites, Issue #38	10/14/04
MX4119	Trade Policy Monitoring Report	10/14/04
MX4120	Solid Wood Products Annual Report	10/14/04
MX4121	Dairy Products Annual	10/20/04

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